

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO LEGISLATURE AND THE COUNCIL ON THE GREATER TUBATSE MUNICIPALITY

Introduction

1. I have audited the accompanying financial statements of The Greater Tubatse Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting officer's report, as set out on pages xx to xx

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by Local Government: Municipal Finance Management Act of South Africa (Act no. 56 of 2003) (MFMA) . This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

the hard copy that is provided to you. The official logo will be made available to you in electronic format.

6. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed



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Basis for qualified opinion

Commitments

7. I identified additional commitments to the value of R8 698 713 that has not been accounted for in the financial statements. Consequently, commitments are understated by the said amount.

Accounts receivable

8. The accounts receivable balance of R45 955 667, as disclosed in note five to the financial statements, does not agree to the balance of R45 101 274 per the general ledger. The municipality did not reconcile the difference of R865 392 between the financial statements and the underlying accounting records. Consequently, the accounts receivable balance is overstated by R865 392. I could not determine the effect on the other account balances or classes of transactions contained in the financial statements.

Qualified opinion

9. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Greater Tubatse Municipality as at 30 June 2010 and its financial performance and its cash flows for the year then ended, in accordance with the SA Standards of GRAP and in the manner required by the MFMA.

Emphasis of matters

10. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

1. As disclosed in note 34 to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of an error discovered during the 30 June 2010 in the financial statements of the municipality at, and for the year ended 30 June 2010.

Fruitless and wasteful expenditure

2. As disclosed in note 35 to the financial statements, fruitless and wasteful expenditure to the amount of R571 000 was incurred, as a truck that was purchased in 2008/2009 financial period had not been utilised.

Other matters

Unaudited supplementary schedules

3. The supplementary information set out on pages XXX to XXX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Redetermined objectives

1. In terms of the PAA of South Africa and *General notice 1570 of 2009*, issued in *Government Gazette No. 32758 of 27 November 2009*, I include below my findings on the report on

predetermined objectives, compliance with the following key laws and regulations and financial management (internal control).

Findings

Material findings on the report on predetermined objectives, as set out on pages xx to xx, are reported below:

Non-compliance with regulatory requirements

Key performance indicators

15. The municipality did not prepare key performance indicators that are specific, measurable, accurate, and relevant and time bound in the integrated development plan as required by sections 41, 44 and 45 of the Municipal Systems Act.

Usefulness of reported performance information

16. The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan i.e. are objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable and time bound?

The following audit findings relate to the above criteria

Planned and reported performance targets not specific/measurable/time bound/all options

17. All of the key performance indicators and planned performance targets in the municipality integrated development plan contain no values, are not specific / measurable, and time bound in specifying the time period or deadline for delivery.

Reliability of reported performance information

18. The following criteria was used to assess the reliability of the planned and reported performance:

- Validity: Has the actual reported performance occurred and does it pertain to the entity i.e. can the reported performance information be traced back to the source data or documentation?
- Accuracy: Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately
- Completeness: All actual results and events that should have been recorded have been included in the reported performance information.

The following audit findings relate to the above criteria:

Inadequate content of integrated development plan

19. The integrated development plan of the municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1) (b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

Reported information not consistent with planned objectives, indicators and targets

20. The municipality has not reported on its performance against predetermined indicators which is consistent with the approved integrated development plan.

Compliance with laws and regulations

MFMA

The accounting officer did not adhere to his/her statutory responsibilities

21. The accounting officer did not comply with his/her legislative responsibility of managing the financial administration of the municipality by not taking reasonable steps to ensure that:

- Risk Committee in place during the period under review as required by section 62(1) of the MFMA
- Information Technology (IT) Steering Committee was in place during the period under review as required by section 62(1) of the MFMA

The financial statements were not prepared in accordance with applicable legislation

22. Contrary to section 122 of the MFMA, the municipality did not compile GRAP compliant financial statements.

Audit committee did not comply with their legislative responsibilities

23. The audit committee did not review the annual financial statements to provide the council of the municipality, with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance in terms of section 166(2)(b) of MFMA.

Expenditure incurred was made in vain or could have been avoided resulting in fruitless and wasteful expenditure

24. Expenditure incurred was made in vain, and could have been avoided based on the fact that reasonable precaution had not been exercised, as set out in section 62 (1) the definition "fruitless and wasteful expenditure" of the MFMA

INTERNAL CONTROL

25. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the MFMA and MSA, but not for the purposes of expressing an opinion on the effectiveness of internal control.

26. The matters reported below are limited to the significant deficiencies regarding the basis of the qualified opinion paragraph, the findings on the report on predetermined objectives and findings on compliance with laws and regulations.

- **Leadership**

Tone at the top

Quality of information submitted was not understood by all to be a prerequisite which led to the performance targets not being useful in all instances.

- **Financial and performance management**

Quality and reliable annual financial statements

Pertinent information was not identified and captured in a form and time frame to support financial reporting. This resulted in a number of indicators not being useful as required by the framework for managing performance information.

- **Governance**

Audit committee that promotes independent accountability and service delivery

The audit committee did not fulfil its responsibilities as set out in legislation and in accordance with accepted best practice.


Polokwane

30 November 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence